



Contract Renewals and Rent Adjustments

Owner Agent Update

April 18-19, 2011

Session Topics

- Status of HAP funding
- Recapture of HAP funds
- Legislative Update
- Section 8 Guidebook Updates
- Dun and Bradstreet (DUNS) and Central Contractor Registration (CCR)
- Long Term HAP Contracts
- Utility Allowances
- Implementation vs. Notification
- Q&A



Housing Assistance Payment (HAP) Funding

- Contract Renewals funded through April 2011
- Multi Year Rent Adjustments funded through June 2011
- Continuing Resolution
 - Expired on April 8, 2011; it is the sixth FY 2011 CR
 - HUD and other federal agencies have been operating at FY10 funding levels



Recapture of HAP Funds

- HUD guidelines allow for HAP funds awarded or "obligated" to properties not spent one year after funds are awarded, the funding may be recaptured by HUD and redistributed
- Recaptures will be done quarterly now vs. annually



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Legislative Update

- The Administration is continuing efforts to align federal rental programs across HUD, USDA, and Treasury
- The initiative aims to reduce cost and complexity within rental subsidy programs and in policies related to physical inspections, income definitions, operating budgets and financial statements, energy efficiency, appraisals and market studies, subsidy layering reviews, capital needs assessments, and compliance
- Comments and suggestions from state HFAs welcomed



Legislative Update

Property Budget Changes Employee Pension Costs

- HUD Notice H 2011-08, issued on February 28, 2011, clarifies policy about pension plan expenses being charged to Project Operating Accounts. The Notice amends HUD Housing Handbook 4381.5
- Find all the details in the Notice, at:
<http://portal.hud.gov/hudportal/documents/huddoc?id=11-08hsgn.pdf>



Legislative Update

Property Budget Changes Employee Pension Costs

Management companies with employees that split their week among various properties may charge employee pension plan costs to project operations, with certain conditions:

- The percent of project funds paid to the management company for the employee's pension plan contribution should be proportional to the amount of time the employee works at each project
- Individual employees must be eligible to participate in pension plans in accordance with applicable federal, state, and/or local laws



Legislative Update

Property Budget Changes Employee Pension Costs

- Records must be kept to demonstrate compliance with these requirements, and this documentation must be included in audited financial statement filings, on the Management Entity Profile and on individual project Management Certifications
- Pension plan costs paid from the project operating account are for on-site, front line employees who work at the projects on a daily basis only
- Does not apply to off-site, non-front line supervisors



Legislative Update

Section 202 Mortgage Payments

- If you own a Section 202 site, be sure to review and update your monthly mortgage payment procedures. Make your monthly mortgage payment through Pay.Gov instead of writing a check and sending it to the lockbox
- The URL for Pay.Gov is <https://www.pay.gov/paygov>
- Please contact your HUD Project Manager if you have questions regarding Section 202 payments



Legislative Update

Section 202 Mortgage Payments

- At the end of February, the Office of Chief Financial Officer (OCFO) informed HUD Multifamily Housing Headquarters that there are still many Section 202 owners across the country who are sending their mortgage payments to the lockbox, instead of making these payments through Pay.Gov
- The Fort Worth Accounting Office is required to return checks that are sent to the lockbox. And, sending a mortgage payment to the lockbox instead of making the payment through Pay.Gov could cause the property's mortgage payment to show up on the OCFO's Monthly Section 202 Delinquency Report



Legislative Update

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Section 8 Guidebook Updates

- HUD has drafted numerous changes to the Section 8 Renewal Guidebook
- Currently under HUD Departmental review
- Most the revisions are those that have been requested either to clarify HUD policy, or to recognize opportunities to facilitate preservation and are quite positive



Section 8 Guidebook Updates

Automatic Operating Cost Adjustment Factor (OCAF)

- HUD hopes to have all Section 8 PBCA properties using auto OCAF by the end of 2011
- HUD's Office of General Counsel (OGC) recently stated that Section 8 owners need to conduct OCAFs annually
- State HFAs participating in the Auto OCAF pilot reported that it has worked well and reduced the workload for processing OCAFs for both owners and PBCAs



Section 8 Guidebook Updates

Mark to Market Extended to September 30, 2011

- There is a Congressional mandate to mark rents to market at Section 8 contract expiration/renewal
- This mandate does NOT expire
- OAHP has authority to accept new referrals through September 30, 2011



Debt Service

Providing debt service information for non-insured loans:

If you have a non-insured mortgage please provide documentation to support your current debt service. A copy of the loan agreement, an amortization schedule, or monthly statement from the mortgagee showing current monthly payment to P & I, and MIP, if applicable



Rent Schedules, & RCS

Revised Rent Schedule:

HUD released a revised rent schedule (Form HUD 92458) with an expiration date of 3/31/2010. All rent adjustments are to be completed on the new form. The new rent schedule is available online at

<http://www.hud.gov/offices/adm/hudclips/forms/files/92458.pdf>

Rent Comparability Studies:

Be sure your appraiser is using the current HUD-92273-S8 with an expiration date of September 30, 2011



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New HUD Requirement for Owners

- Notice 2011-01 issued on January 5, 2011 outlined the requirement for recipients of Federal funds to register with the Federal Government and instructed owners of Section 8 properties to obtain a Dun and Bradstreet Numbering System (DUNS) number for each project and to register in the Central Contractor Registration (CCR)
- HUD required compliance within 60 days despite the fact that the law requiring such registrations was passed in 2006



Problems with DUNS/CCR

- Lack of registration won't affect Voucher Payments...yet
- HUD has acknowledged that properties have had problems obtaining DUNS/CCR numbers, and Multifamily as well as HUD's Chief Financial Officer (CFO) have agreed that voucher payments will not be interrupted for April 2011



Some Tips if You're Still Trying to Obtain Your Registration

- Be sure to use the exact same information that you used to obtain your Tax ID. For example, if your site name was Open Arms Apartments on your Tax ID application, use that exact name (not “Open Arms Apts”) for your DUNS/CCR applications



Some Tips if You're Still Trying to Obtain Your Registration

- Each individual site must have a DUNS number – you can't use one number for an owner or management company which has several sites. DUNS requirements say that each distinct physical location of an entity is assigned its own DUNS number worldwide. Organizations with multiple DUNS numbers may request a FREE family tree listing from D&B to help determine which subsidiary location has an existing DUNS number and if the info on file at D&B is correct



Some Tips if You're Still Trying to Obtain Your Registration

- You can find the CCR User's Guide at:
<http://www.bpn.gov/ccr/doc/CCRUsersGuide.doc>
- If you have CCR questions, contact the CCR Customer Service Desk (8am - 8pm EST) at: 866-606-8220



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Long Term HAP Contracts

- When it comes time for the renewal of the existing Housing Assistance Payment (HAP) contract, consider renewing the contract for a twenty (20) year term
- HUD believes that 20 year contracts can assist in preserving affordable housing
- Available for all renewal options



Long Term HAP Contracts

- All requests for 20 year term contracts require HUD approval
- A Real Estate Assessment Center (REAC) physical inspection score of 60 or above
- No uncorrected Exigent Health and Safety (EH&S) violations are required
- Contracts are funded for one year, with the remaining years subject to annual appropriations
- Once the Owner has entered into a 20 year term contract, they cannot opt-out of the HAP contract
- If the property is sold, the new owner needs to be aware of the 20 year term contract in place



Long Term HAP Contracts

Exception to the 20 year contract

- ✓ Use Agreement that controls the term available to the Owner
- ✓ The maximum term may be coterminous with the Use Agreement and be less than 20 years



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Utility Allowances

- Per local HUD guidelines, INQ can not use the Housing Authority utility allowances for any of the properties in the portfolio
- For projects with utility allowances, a recommendation for revised utility allowances and the backup information from the utility provider (e.g., monthly utility expenses by apartment type based on actual utility consumption and rates)
- Information must be provided on 20% of the units, or 5 units, whichever is greater



Utility Allowances

- **Reminder:** The owner must request approval of revised utility allowances whenever a utility rate change would cause a cumulative variance of 10% or more in the most recent approved utility allowances
- The whole concept of utility allowance is currently under HUD review for “revision”
- Send recommendations for a revision of the UA policy, through industry groups, such as MAHMA, NLHA, etc.



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Implementation

- No rent increase or utility allowance (Gross Rent) change can be implemented, or vouchered, until we return a fully executed rent schedule to the property



Tenant Notification

Rent Decision Letter =

Authorization to **Notify**
Residents of rent
change/increase



Tenant Notification

- If the rent increase, or utility allowance reduction will cause an increase to the tenant rent, the owner must give the tenant 30-day advance written notice of the increase
- The notice must specify the new tenant rent and the date it will be effective
- If there are adjustments to utility allowances, they must be implemented no later than 75 days from the executed date of the contract renewal, or the effective date of the rent increase



The Section 8 Renewal Policy Guide Book and all updates are available at:

<http://www.hud.gov/offices/hsg/mfh/mfhsec8.cfm>



For More Information

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Question and Answers

